TESTIMONY BEFORE THE MICHIGAN HOUSE BANKING AND FINANCIAL SERVICES COMMITTEE

OCTOBER 9, 2007 10:30 AM

KEN ROSS
OFIS DEPUTY FOR POLICY

Thank you Mr. Chairman and members of the Committee.

My name is Ken Ross and I am the Deputy for Policy for the Office of Financial and Insurance Services.

As you know, the Office of Financial and Insurance Services is Michigan's financial service regulator, responsible for state-level regulation of various related industries, including insurance, banking, credit unions, securities and consumer finance.

I am joined today by OFIS Chief Deputy Fran Wallace and Kirt Gundry, head of our Mortgage Examination and Investigation Section.

We have been asked to provide this committee with testimony concerning Mortgage Lending Practices, Foreclosures and predatory practices.

As you know, this is a dynamic area within the financial services marketplace that has experienced rapid growth over the last 25 years, fueled by a financing from across the globe. Kurt will provide you with data demonstrating how we have seen a dramatic increase in the number of mortgage broker licensees over a number of years and the challenges that we have faced in successfully regulating this population.

Mortgage lending products have been transformed to meet a multitude of appropriate consumer needs.

Laws and regulations have not, however, kept pace with marketplace innovation, Recently, we've seen products that may have been entirely suitable and appropriate in certain limited circumstances, being sold to consumers who don't appreciate the nuances of the contract they are entering into or the downstream impacts – which sometimes don't present themselves for years after the parties leave the closing table.

Before the rise of the securitization model—which has dramatically increased consumer access to capital but fundamentally changed the players involved in the transaction—mortgage loans were principally made between a depository institution and a borrower.

Depository institutions offered consumers a variety of services, including collateralized lending. This relationship was often longstanding and mutually beneficial with many depositories taking a long view of the overall benefits of having a consumer as a lifelong customer with a variety of financial service needs.

As alternative delivery channels for mortgage lending have grown over the last two decades, depository institutions have been responsible for a gradually shrinking proportion of the loans made.

And today, a majority of those getting a mortgage loan will do so through a broker, a transactional specialist that may or may not ever deal with a given consumer on more than one transaction.

While no one party is wholly to blame for the current state of affairs that we find ourselves in regarding predatory lending practices in the marketplace, we will discuss a number of contributing factors that have exacerbated the problems consumers are experiencing.

In an ideal world, responsible sellers of mortgage products would be principally guided by what is good for their customers. They would provide a customer access to capital in exchange for reasonable compensation for the specialized service that they provide.

Although many within the mortgage brokering community make every effort to "do right by their customers" by providing them access to reasonably priced mortgages that are free of onerous contract provisions…

…it is the case that there are bad actors who have infiltrated this industry and who are selling their unwitting customers products that contain features that are entirely unsuitable.

Consumers are being sold products that they cannot afford and do not understand.

Due to the complexity, many consumers don't understand how the material terms of the agreements they are entering into actually work in practice, and don't hire an attorney to represent them in the transaction—something they obviously do at their own peril.

It may be the case, when looking at the totality of the transaction documents, that this is the most complicated set of legal contracts and agreements that the average consumer will ever enter into.

The aggregate impact of these individual transactions is certainly reflected in the current foreclosure crisis, which has been more pronounced in Michigan and other states due to a variety of cyclical financial stresses on our consumers, including job dislocations, lack of access to affordable health insurance and tepid or declining home prices.

The challenges consumers face during a cyclical downturn in the state economy have been exacerbated by the specter of the loss of one's home due not to personal crisis, but rather to the crisis created by the terms contained within their mortgages.

According to the Mortgage Bankers Assocation's 2nd Quarter 2007 National Delinquency Survey, Michigan has been one of the hardest hit states, with:

An overall delinquency rate of 7.55% (all past due loans)
- A foreclosure inventory of 2.77% (inventory at end of quarter)
- A 1% rate of new foreclosure starts (starts during 2nd quarter '07)

Unsurprisingly, there is a significant difference in experience between the Prime and SubPrime Market in Michigan –

3.96% of Prime Loans were past due (1% higher than neighboring states in the North Central region)

- 1.17% of Prime Loans in foreclosure
- 6.1% of prime loans with Adjustable Rate Mortgages are past due

On the subprime front,

- 20.84% were past due (as compared to 16.49% in neighboring states)
- 10.09% of subprime loans are in the foreclosure inventory
- 23.91% of subprime loans with ARM's are past due

As the current meltdown in the subprime mortgage lending market has demonstrated, the spillover effects have potentially far reaching impacts across the economy.

The effects have rippled throughout the market and negatively impacted housing prices as foreclosed properties have flooded the market.

Those who have gone through foreclosure have felt the impacts on their personal finances and credit history.

Those not in foreclosure may have seen selling prices for comparable homes drop significantly coupled with a constricted pool of buyers, effectively trapping them in their homes.

Of course, the presence of one or more houses in foreclosure in a neighborhood can have the practical effect of not only depressing home values, but also degrade the quality of life in the community if the properties are not maintained properly, and in some areas, they can quickly become attractive nuisances if unoccupied and fall prey to transients, drug dealers and scavengers interested in stripping a house of fixtures.

Before Fran and Kirt give you some very specific information regarding the practices that exist in the marketplace I would like to provide you with a few definitions of key terms that are important to this discussion.

For an understanding of these terms, I will draw on consensus definitions agreed to by the Conference of State Bank Supervisors, the American Association of Residential Mortgage Regulators, and the National Association of Consumer Credit Administrators.

Let's start with "Predatory Lending"

Typically, **predatory lending** involves at least one of the following elements:

1. Making loans based predominantly on the <u>foreclosure or liquidation value</u> of a borrower's collateral <u>rather than</u> on the borrower's <u>ability to repay</u> the mortgage according to its terms;

2. Inducing a borrower to <u>repeatedly refinance</u> a loan in order to charge high points and fees each time the loan is refinanced ("loan flipping"); or

3. Engaging in <u>fraud or deception</u> to conceal the true nature of the mortgage loan obligation, or ancillary products, from an unsuspecting or unsophisticated borrower.

So the essence of predatory lending involves

- NOT looking at a consumer's ability to repay; or
- loan or equity stripping by repeated refinancing; or
- the use of fraud or deception.

Subprime lending is not the same as predatory lending, and not all loans made to subprime borrowers have predatory features.

The term "**subprime**" refers to the credit characteristics of individual borrowers – so what is a **"subprime borrower"?**

Generally speaking, subprime borrowers usually have tarnished credit histories that include

- **delinquencies**
  - 2 or more 30 day late payments within the last 12 months or
  - 1 or more 60 day delinquency within the last 24 months
- **charge-offs**
  - judgment, foreclosure or repossession within 24 months
- **bankruptcies**
  - within the last 5 years

They may also have

- **poor credit scores**
  - FICO score of 660 or below
- **high debt-to-income (DTI) ratios, or**
  - Debt to income ratio of 50% or greater
- **incomplete credit histories.**

"**Subprime loans**" are loans to borrowers that have one or more of these characteristics when their loan is originated.

These loans have a higher risk of default than loans to prime borrowers.

And, accordingly, in the world of risk-based pricing, added risk justifies higher pricing on the financial products offered to the subprime borrower.

Having said this, risk based pricing does not provide justification or a license to take advantage of consumers with less than perfect credit.

Of course the situation is further complicated if consumers are less educated, or have limited exposure to sophisticated legal transactions.

In these circumstances, if the consumer doesn't enlist the help of an attorney, the reality is that they are largely at the mercy of the person selling them the financial product.

And few seem to realize that they can "shop around" for a mortgage broker just like you do for other purchases, in order to get access to better terms and lower fees.

We've talked about "predatory lending", "subprime lending" – now what about the products themselves?

"**Nontraditional mortgage loans**" also known as "**alternative**" or "**exotic**" mortgages, are mortgage products that allow borrowers to defer payment of principal and, sometimes interest.

Examples include "interest only" and "payment option" adjustable rate mortgages.

Monthly payments of less than principal and interest due are added to the principal balance owed.

These products have been subjected to greater regulatory scrutiny recently.

Examples include, adjustable-rate mortgage products offered to subprime borrowers that have one or more of the following characteristics:

• Low initial payments based on a fixed introductory rate that expires after a short period and then adjusts to a variable index rate plus a margin for the remaining term of the loan;

• Very high or no limits on how much the payment amount or the interest rate may increase on reset dates;

• Limited or no documentation of borrowers' income—so called "no doc" or "liar loans"

• Product features likely to result in frequent refinancing to maintain an affordable monthly payment; and/or

• Substantial prepayment penalties and/or prepayment penalties that extend beyond the initial fixed interest rate period.

It is beyond irresponsible to sell these products to consumers who do not fully understand the risks involved, as they will likely

- be unable to afford the monthly payments after the initial rate adjustment because of payment shock when an adjustable rate loan resets;
- be incapable of paying real estate taxes and insurance that were not escrowed—a practice that sets an unwitting consumer up for financial failure
- incur expensive refinancing fees, frequently due to closing costs and prepayment penalties
    - especially when a prepayment penalty period extends beyond the rate adjustment date;

Subprime lending that is appropriately underwritten, priced, and administered can serve the goal of improving access to credit for borrowers with special needs.

However, we have to recognize that not everyone is financially capable of purchasing and maintaining a private residence due to limited or fixed income or a variety of other factors.

To suggest otherwise is to put someone without the ability to repay a loan in a home that they cannot afford.

The end result is expensive, emotional and frustrating for consumers, who not only lose their home, but also face all the attendant costs associated with a ruined credit score.

And furthermore, the current subprime crisis has highlighted the fact that there are specific products that exist in the marketplace today that have been used in a predatory fashion as they have been sold inappropriately to some consumers.

One particular feature of the problem at hand is the **highly complex nature of the mortgage transaction.**

Anyone who has gone to a closing knows the stack of documents and disclosures can be intimidating.

Further, consumers continue to have fundamental misconceptions regarding the transaction dynamics.

Most consumers have the **misperception that mortgage lenders** have some obligation or duty to get the best deal for them or have a duty to sell them products that they can afford to repay.

Under current law, mortgage brokers are sales professionals, some consumers seem to be unaware that brokers have very lucrative sales incentives depending on the features of the loan sold.

This is particularly evident in the subprime market, where consumers don't seem to understand that mortgage brokers likewise can get huge commissions if they can sell consumers mortgages with hidden fees or terms that are overly weighted in favor of lenders.

Unlike a lawyer or stockbroker, mortgage brokers don't owe consumers any duty to find the best deal—they are salesmen paid by commissions and fees, and frequently, the more onerous the loan terms, the higher the commissions.

Few consumers bother to read their "closing packet," fewer understand most of what they are signing at the closing table. Most are unwilling to hire an attorney to independently review the documents in order to identify any potentially pernicious terms, which is truly unfortunate.

Financial regulators have suggested that lenders should be providing easy-to-understand explanations of key terms of the products they are marketing to consumers.

Mortgage brokers and lenders selling products with certain key features should be educating their customers regarding the impact of these terms, including:

- *Payment Shock*. The Potential payment increases, including how the new payment will be calculated when the introductory fixed rate expires.

- *Prepayment Penalties*. The existence of any prepayment penalty, how it will be calculated, and when it may be imposed.

- *Balloon Payments*. The existence of any balloon payment.

- *Cost of Reduced Documentation Loans*. Whether there is a pricing premium attached to a reduced documentation or stated income loan program.

- *Responsibility for Taxes and Insurance*. The requirement to make payments for real estate taxes and insurance in addition to their loan payments, if not escrowed, and the fact that taxes and insurance costs can be substantial.

Before I turn the balance of our comments to Fran and Kirt, I indicated that I would give you my thoughts on what factors have exacerbated the situation that we find ourselves in today.

While there is no single cause or solution to the predatory lending problem, there are contributing factors that we can identify and attack, including:

CHANGING THE MORTGAGE TRANSACTION

- Change the relationship between mortgage brokers and their customers by mandating that they only make loans to consumers that have the **ability to repay** them
- **Banning the use of specific loan terms** in certain types of transactions – some states have barred the use of certain types of terms—such as prepayment penalties and adjustable rate features—in so called "high cost" loans

We can also look at:

CHANGING THE WAY CONSUMERS APPROACH THE TRANSACTION

- Consumers need to have a better understanding of how much of a house that they can afford.
  - This is a good opportunity for them to speak to a financial advisor or consider hiring an attorney
- Consumers need a better understanding about
  - Who they are dealing with in the transaction
  - How they are paid
  - What the terms are of the contracts they are entering into
- Consumers should consider hiring an attorney
- Consumers would benefit from financial education

And finally, we can

CHANGE THE WAY WE REGULATE THE MORTGAGE BROKERING COMMUNITY

- As Kirt will explain further in his remarks, the rapid growth of the mortgage brokering business has far outstripped regulatory resources to required to combat bad actors
- We also need to increase the qualifications for entry into the mortgage brokering profession by increasing professionalism.
- We need to move from a "complaint based approach" which targets enforcement resources to an "examination approach" because passing new laws without additional staff to provide oversight has proven to be ineffective
    - This will result in every broker, lender & servicer getting examined periodically
    - In addition to targeted investigations between exams where complaints warrant
- With the proper resources, we can do a much better job at identifying the bad actors and getting them out of the industry quickly – which benefits consumers and the industry alike

Now I'd like to turn to Fran Wallace, who will provide you with information including OFIS complaint statistics, and Kirt Gundry who will focus on practices that his examination and investigation staff are finding in play in the Michigan marketplace today.

Fran's Testimony for Senate Banking Committee 10/09/07

Thank you, Ken. Mr. Chairman and members of the Committee, to assist you as you seek solutions to the predatory lending problem, here is a brief snap-shot of the structure of the mortgage market in Michigan:

Today, Michigan has 2,890 mortgage brokers, lenders or servicers licensed or registered under the 1st and 2nd mortgage, and consumer financial services acts. 20 years ago, in 1987, there were only 30. The number of licensees and registrants under these laws grew to 970 by 1997, and hit a peak of 3,101 in 2005.

According to a recent article in American Banker, over the past decade, 3rd party loan originators have accounted for 60% to 70% of all home mortgage loans originated in the U.S. By "3rd party", I mean mortgage originators that do not work for credit unions, banks, or other federally insured depository institutions.

Back in 1987, nearly all Michiganders got their home mortgages directly from a bank, a credit union, or a savings and loan association. These depository financial institutions not only sold, but also underwrote, funded and serviced those mortgages. Banks and credit unions are under constant scrutiny by state and Federal regulators and are federally insured. This regulatory structure does not apply to most 3rd party mortgage brokers.

In 2007, the Michigan mortgage operates much differently than it did 20 years ago. Today, over 50% of Michigan home mortgages are being originated by a state licensed or registered mortgage broker and initially funded by a state-licensed non-depository lender that packages many of the loans and sells to them investors on the secondary market. These mortgages are usually serviced by a yet another party, often not associated with either the broker or the original lender.

Mortgage transactions in which the sales, underwriting, funding and servicing functions are done by 3rd parties generate far more consumer complaints to OFIS than do mortgages sold by banks and credit unions. Over the past 5 fiscal years, OFIS has received an annual average of 40 mortgage-related complaints against state banks 7 mortgage-related complaints against state credit unions and 1,176 mortgage related complaints against Michigan licensed or registered brokers, lenders and servicers.

	Banking	Consumer Finance	Credit Union
10/01/06-9/30/07	77	1767	18
FY 05/06	38	1355	4
FY 04/05	30	809	5
FY 03/04	25	912	5
FY 02/03	30	1039	3

Here are some details about four categories of complaints that are related to some of the predatory practices that Kirt will describe. The four categories are Misrepresentation, Predatory Practices, Fraud and Foreclosure.

Between October 1, 2006 and September 30, 2007, OFIS received 272 complaints involving misrepresentation with regard to 1st and 2nd mortgages. 263 of these complaints were about brokers, 8 were about lenders and 1 involved a servicer. There were 84 complaints by victims of alleged predatory practices: 73 involving brokers, 3 involving lenders, and 8 involving servicers. We received 230 complaints alleging mortgage fraud: 190 against kers, 19 against lenders, and 21 against servicers. And finally, there were 159 complaints involving foreclosure: 8 about brokers and 151 about servicers,

During the same period OFIS received 17 mortgage-related complaints against state banks and against state credit unions alleging misrepresentation. There were 4 mortgage-related complaints against state banks and credit unions about predatory practices. OFIS received 9 complaints against state banks and credit unions alleging mortgage fraud, and 11 complaints about foreclosure.

OFIS would probably receive significantly fewer complaints if Michigan law had higher ethical and education requirements for people that originate loans through state regulated mortgage brokers, and required mortgage brokers to register their loan originators with OFIS. Through the first 9 months of 2007, the OFIS Commissioner has issued 29 orders prohibiting people who have engaged in fraud from being an employee, agent, or control person of a mortgage licensee or from holding a license under Michigan's mortgage laws. Many of these people might never have been able to originate mortgage loans in the first place if the licensees for whom they originate loans had been required to conduct a background check for felony fraud convictions, to provide adequate training, and to register their loan originators with OFIS.

The ability to track loan originators as they move from licensee to licensee or state to state would make the OFIS examination program that Kirt will describe to you even more effective. Toward that end, OFIS has supported the creation of a Nationwide Mortgage Licensing System and Database by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). 37 states, including Michigan, have now signed a "Statement of Intent" to participate in the Nationwide Mortgage Licensing System. The ultimate goal of the national mortgage licensing system is to improve the efficiency and effectiveness of state supervision of the U.S. mortgage market; to fight mortgage fraud and predatory lending; and to increase accountability among mortgage industry professionals

Kentucky, Massachusetts and Nebraska will be the first states to start using the system, on January 2, 2008. OFIS would like to begin participating on July 1, 2009, if the Legislature enacts the necessary administrative changes. For example, the first mortgage statute will need to be amended to change licensing period from July 1 to June 30, to a calendar year January 1 to December 31 licensing period.

Kirt Gundry will now talk to you about the OFIS mortgage examination program's experience with predatory practices.

TESTIMONY BEFORE THE HOUSE BANKING AND FINANCIAL SERVICES COMMITTEE

October 9, 2007 10:30 am

Kirt L. Gundry, Director
Mortgage Examination and Investigation Section

Mr. Chairman and members of the Committee, the Mortgage Examination and Investigation Section examines non-depository mortgage lenders, mortgage brokers, and mortgage servicers doing business in Michigan for compliance with state and federal mortgage lending laws.

This morning, I will provide a profile of the Mortgage Examination and Investigation Section, identify the enforcement tools currently available to OFIS relative to the mortgage industry, and describe the principal types of predatory practices our mortgage examiners encounter on a daily basis.

Division Profile

Staffing overview

As the non-depository mortgage industry grew from non-existent in the early 1980s to roughly 2,900 entities today, the number of mortgage examiners stayed relatively constant at 6 – until the fiscal 2006 appropriation increased the mortgage program staff authorization by 7 examiners. There are currently 12 OFIS examiners conducting on-site examinations and investigations in the mortgage marketplace. A 13th position is vacant at this time.

The effect of the increased staffing in 2006 is very apparent in the unit's output. In fiscal 2004, the section conducted 73 examinations. In Fiscal 2007, the section has conducted 150 examinations. It should be noted that this has been accomplished with a staff that is 50% relatively inexperienced in this work. We anticipate annual examination numbers to continue to rise through the new examiners' roughly three-year training cycle.

Examination targeting model – complaint driven vs. examination cycle

Clearly the current mortgage examination program staff level is insufficient to conduct routine examinations of the state's mortgage licensees on an annual or even a three-to-five year cycle. Consequently, we use a risk-based approach to target companies that appear, based on consumer complaints and information in reports that mortgage companies file with OFIS, to have a high likelihood of engaging in predatory practices. As a result, there are hundreds of licensed mortgage companies doing business in Michigan that have never been examined.

In my opinion, a better way to supervise the mortgage marketplace would be to visit new licensees within 6 months of licensure—to assure that they're getting started on the right foot and assure that issues are addressed early—and then to conduct an examination of each company on a routine examination cycle. We have employed this regulatory examination model with success for many decades in the banking, credit union and insurance industries.

Banks, for example, are subject to examination every 12 to 18 months. It would be appropriate to examine every mortgage company on a 24- to 36-month cycle. Our goal is a mortgage examination program staffed sufficiently to help prevent the predatory practices that lead to consumer abuse. That means more mortgage examiners in the field. We estimate that we would need 22 additional mortgage examiners in order to implement the recommended examination cycle. We also anticipate that within 5 years of implementation of the recommended examination cycle the incidence of predatory lending and mortgage fraud will be vastly reduced.

It is my understanding that the mortgage industry supports the concept of routine mortgage company examinations, as it did the 1996 amendments to the state's mortgage licensing laws that improved funding of the state's regulation of the mortgage industry. As a result of those amendments, OFIS now has the ability to generate sufficient restricted fund revenue to pay for the staff needed to implement the routine examination cycle I've described.

Statutory Authority for Enforcement

Commissioner Watters is statutorily charged with the responsibility and authority to administer the Mortgage Brokers, Lenders, and Servicers Licensing Act (MBLSLA) and the Secondary Mortgage Loan Act. Further, the commissioner is granted general supervisory power and control over mortgage brokers, mortgage lenders, and mortgage servicers doing business in this state.

These laws give the Commissioner several specific regulatory enforcement tools, including:

1. Examination and investigation powers (Section 11(2)(c))
2. Cease and desist order (30 day window to request hearing) (Section 16)
3. Revocation/Suspension (20 day window to request hearing) (Section 12)
4. Summary Suspension (imminent threat) (20 day hearing window) (Section 15)
5. Prohibition (on person for fraud) (hearing w/I 60 days) (Section 18a) [*Note: to date 38 persons have been prohibited from this business*]
6. Assess civil fee against licensee of not more than $1,000 per violation (Section 29)(2)(a))
7. Require restitution to each injured individual as result of violation (Section 29)(2)(c))

Common Predatory Practices

My third goal today is to describe some of the predatory practices our mortgage examiners see on a day-to-day basis in the mortgage marketplace. These fall into three main categories: 1) overcharges, 2) deceptive sales practices, and 3) mortgage fraud.

1. Overcharges
    a. Charging borrowers an amount higher than the actual cost incurred for third party expense (e.g., appraisal, credit check, lien recordation, etc.)
    b. Charging fees significantly in excess of those disclosed on the good faith estimate (e.g., origination costs, document preparation fees, broker fees, yield spread premium, etc.)
    c. Collecting yield spread premiums without reducing any upfront costs to the consumer (*Yield Spread Premiums (YSPs) - a fee that is paid to*

the mortgage company when it sells a loan. The idea is that the originating mortgage company can charge the borrower less in closing costs, because it will be generating revenue through a yield spread premium when it sells the loan. In fact, many companies just see the yield spread premium as another revenue generator and do not use it to offset a reduction in upfront closing costs.)

2. Deceptive Sales Practices
    a. Misleading and deceptive advertising –
        i. Mail advertising that indicates the name of the consumer's current lender displayed so that the consumer believes the advertisement is from their current lender.
        ii. Advertising which materially misrepresents the terms of loan products (e.g., 1% interest loan, "fixed rate" products that are not truly fixed for the entire loan term, etc.)
    b. Steering - selling a loan product that results in higher fees for the loan officer and mortgage company when the consumer qualifies for a loan product with lower costs (e.g., a borrower with good credit being steered to a subprime loan product)
    c. Deliberately withholding material information about the loan terms, such as:
        - Quoting monthly payments of only principal and interest without telling borrower that taxes and insurance are not included
        - Quoting monthly payments without fully explaining the adjustable nature of the loan contract
        - Quoting monthly payments without fully explaining that the first two years are interest only with deferred principal payments
        - Quoting monthly payments without fully explaining that the payments will reset to a much higher amount in two years
3. Fraud
    a. Altering or manufacturing mortgage loan documentation, including:
        - Verification of employment
        - Verification of deposits
        - Verification of income
        - Verification of rent
    b. Inflation of appraised values
    c. Silent seconds – having the seller take back a second mortgage on the property with no intention of every collecting on it; the sales price of the home and appraised value are inflated, so the seller

isn't out anything. They are used to get a buyer into a home with little or no money down.

d. Foreclosure rescue – home owner signs a quit claim deed (signing over ownership) then agrees to rent with option to buy in one or two years. Unknown to the homeowner, the new owner pays off the old mortgage with a new mortgage and keeps whatever equity was in the home.
e. Investment property misrepresented as a primary residence (better underwriting guidelines and lower property taxes.)
f. Paying money from a loan closing to people not disclosed on the settlement statement (e.g., unknown LLC usually owned by the loan officer.)
g. Having down payment funds provided by someone other than the purchaser of the property (e.g., seller provider)
h. Using bogus debt disclosed on the settlement statement to secure large sums of money.